

## Management Discussion and Analysis

for the operation results of the first quarter of fiscal year 2021 (1 July 2020 – 30 Sep 2020)

MC Group Public Company Limited and its subsidiaries (“the Company”) summarized the operating result for the first quarter of fiscal year 2021 (1 July 2020 – 30 September 2020) as follows:

### Overall Economic and Industry Overview

In the third quarter of 2020 (1 Jul – 30 Sep 2020), the Thai economy and the retail industry are still affected from the ongoing Covid-19 pandemic. In the third quarter, consumer confidence index stood at 50.2 in September, the first decline since the shutdown was lifted. This resulted mainly from the concerns regarding political stability following the recent political unrest, from the slow economic recovery, and from the uncertainty in future unemployment stemmed from the impact of COVID-19.

### Overall Performance for 1Q21

Unit: THB million	1Q21 (Jul – Sep 20)	1Q20 (Jul – Sep 19)	Change
Sales Revenue	779	757	2.8%
Gross Profit	473	445	6.1%
%Gross Profit Margin	60.7%	58.8%	1.9%
SG&A	341	346	-1.4%
%SG&A	43.8%	45.7%	-1.9%
Other Revenue	6	8	-25.6%
EBITDA before one-off item and discontinued operations*	240	131	82.3%
%EBITDA before one-off item and discontinued operations	30.8%	17.4%	13.4%
NPAT before one-off item and discontinued operations*	109	101	7.7%
%NPAT before one-off item and discontinued operations	14.0%	13.3%	0.7%
one-off item	-	39	
Discontinued operation*	-	2	
NPAT	109	64	69.1%
%NPAT	14.0%	8.5%	5.5%

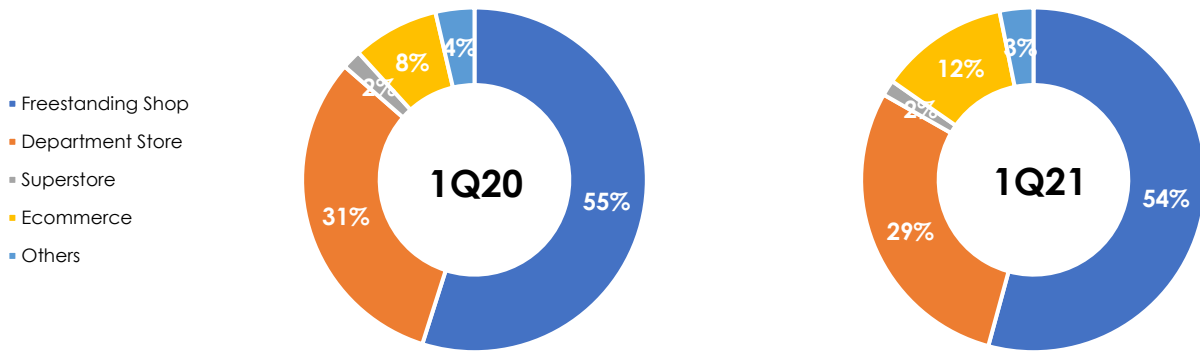
\*discontinued operation was Time Deco Corporation Co., Ltd. which was sold on 2<sup>nd</sup> September 2019

### Revenue

Revenue from sales grew as a result of increased revenue from E-commerce which is in line with the Company's online sales channel expansion. Offline sales channels growth was maintained in the freestanding shop category which resulted from promotions and campaigns to boost sales in the first quarter during the ongoing COVID-19 outbreak. In the first quarter of the fiscal year 2021, the Company reported total sales of THB 779 million, an increase of THB 22 million or 2.8% from the same period of Last year

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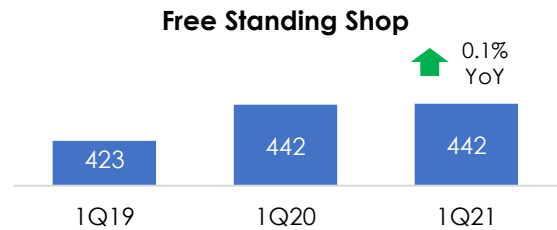
## Revenue break down by channel



In the first quarter of fiscal year 2021, the revenue contribution from Free-standing Shop was 54%, Department Store was 29%, Superstore was 2%, E-Commerce was 12% and other channels was 3%.

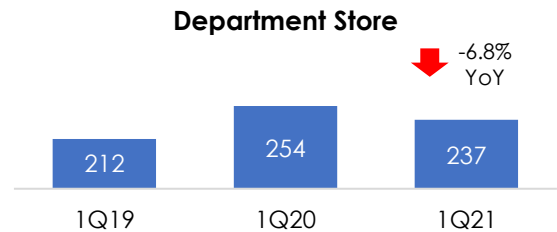
### Free Standing Shop

Revenue from free standing shop in the first quarter was THB 442 million, an increase of THB 0.56 million or 0.1% YoY.



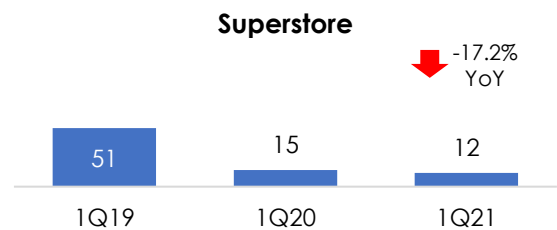
### Department Store

Revenue from department stores in the first quarter amounted to THB 237 million, a decrease of THB 17.18 million or 6.8% YoY.



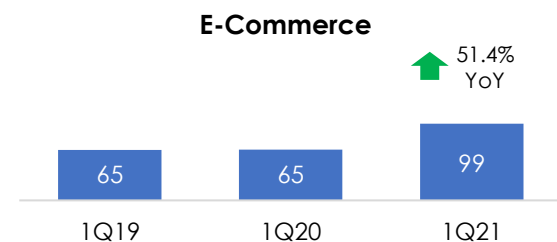
### Superstore

Revenue from superstore in the first quarter amounted to THB 12 million, a decrease of THB 2.5 million or 17.2% YoY.



### E-Commerce

Revenue from e-commerce in the first quarter was THB 99 million, an increase of THB 33.6 million or 51.4% YoY.



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As of 30 September 2020, the Company reported a total of 654 point of sales as follows

By Distribution Channel	Apparel and Lifestyle Products under "MC Group"	
	Number of POS	Increase (+) / Decrease (-) from end of FY2020
Free-standing Shop	336	2
Modern Trade	302	-3
Mobile Unit	6	0
<b>Total POS (domestic)</b>	<b>644</b>	<b>-1</b>
International Markets	10	-2
<b>Total</b>	<b>654</b>	<b>-3</b>

## Gross profit

The Company reported THB 473 million gross profit in the first quarter of fiscal year 2021, an increase of THB 27 million or 6.1% growth over the same period of the previous year. The gross profit margin stood at 60.7% compared to 58.8% in the same period last year.

## Selling, General and Administrative Expenses (SG&A)

Selling, general and administrative expenses was THB 341 million in the first quarter of 2021, a decrease of THB 5 million or 1.4% decrease compared to the same period of the previous year due to the continuous cost reduction. As a result, the selling, general and administrative expenses to revenue from sales was 43.8%, compared to the 45.7% from the same period last year.

## Earnings before interest, Taxes, Depreciation and Amortization (EBITDA)

EBITDA before one-off item and discontinued operation in the first quarter was THB 240 million increased THB 108 million or 82.3% growth YoY. EBITDA margin in the first quarter increased to 30.8% of total revenue compared to that of 17.4% in the same period of the year. The increase resulted mainly from the adoption of the TFRS 16, and partly to the revenue growth and the reduction of SG&A.

## Net Profit

For the first quarter of fiscal year 2021, net profit was THB 109 million, compared to the normalized net profit excluding one off items and discontinued operations in the same quarter of the previous year, profit increased THB 8 million or grew 7.7%. Net profit margin was 14.0%, an increase from 13.3% a year ago. Once compared to net profit from the same period of the prior year, net profit increased THB 44 million or an increase of 69.1%. Net profit growth resulted from increase in revenue and the ability to reduce expenses.

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## Financial Position Analysis

### Statement of Financial Position

(THB million)	30 September 2020	30 June 2020	Change
Cash and short-term investments	1,630	1,481	10.0%
Account receivables	287	266	8.0%
Inventory	1,433	1,408	1.8%
<b>Right-of-use assets (TFRS 16)</b>	<b>1,227</b>	-	
Other assets	859	929	-7.5%
<b>Total Assets</b>	<b>5,437</b>	<b>4,084</b>	<b>33.1%</b>
Account payables	200	120	66.1%
Interest-bearing liabilities	-	-	
<b>Lease liabilities (TFRS 16)</b>	<b>1,208</b>	-	
Other liabilities	328	371	-11.8%
<b>Total Liabilities</b>	<b>1,735</b>	<b>492</b>	<b>252.8%</b>
Equity attributable to the firm	3,690	3,581	3.0%
Non-controlling interest	11	11	5.0%
<b>Shareholders' Equity</b>	<b>3,701</b>	<b>3,592</b>	<b>3.0%</b>

#### Assets

The Company reported THB 5,437 million total asset on 30 September 2020 compared to THB 4,084 million on 30 June 2020, an increase of THB 1,353 million due to:

- 1) THB 1,227 million Right-of-use assets increased as a result of the adoption of the Thai Financial Reporting Standard 16 leases.
- 2) Cash and short-term investments increased THB 149 million, from THB 1,481 million on 30 June 2020 to THB 1,630 million on 30 September 2020.

#### Liabilities

On 30 September 2020, total liabilities were THB 1,735 million compared to THB 492 million on 30 June 2020, an increase of THB 1,243 million which was contributed mainly from THB 1,208 million lease liabilities resulted from the adoption of the Thai Financial Reporting Standard 16 Lease.

#### Shareholders' Equity

As of 30 September 2020, the Company reported THB 3,701 million of shareholders' equity, an increase of THB 109 million from the THB 3,592 million on 30 June 2019.

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## Liquidity

On 30 June 2020, the Company's cash, cash equivalent and short-term investment amounted to THB 1,630 million increased THB 149 million from 30 June 2020 due to:

- Cash flow from operation increased THB 183 million, which was mainly contributed by profit before income tax expense of THB 132 million, the decrease of account receivable of THB 19 million and the THB 32 million reduction in inventory.
- Cash flow from investment activities increased THB 2 million due to THB 4 million purchase of property, plant and equipment and THB 6 million cash received from short term loan.
- Cash flow from financing activities decreased THB 37 million due to payment of lease liabilities.

## Key Financial Ratios

Financial Ratios		For period ended	
		30 September 2020	30 June 2020
<b><u>Liquidity Ratios</u></b>			
Current Ratio	times	4.5	7.7
Average Days Receivable	days	31	34
Average Days in Inventory	days	393	408
Average Days Payable	days	45	41
Cash cycle	days	379	401
<b><u>Efficiency Ratios</u></b>			
Return on Assets (Annualized)	%	9.5	9.7
Return on Equity (Annualized)	%	12.4	11.2
<b><u>Leverage Ratios</u></b>			
Debt to Equity Ratio	times	0.49	0.14

### Thai Financial Reporting Standard No. 16 Leases (TFRS 16)

In the fiscal year 2021 Company has applied the Thai Financial Reporting Standard No. 16 Leases (TFRS 16), using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under TAS 17. The new financial reporting standard affected the former lease contracts, which was recorded as operating lease, an off-balance sheet financing according to TAS 17; and therefore, impacted asset and liabilities as mentioned in earlier sections.

### Former operating lease

- Recognizes right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with TFRS 16.

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- Recognizes depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss and other comprehensive income.
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

## Short term lease and low value lease contracts

The Company has adopted to recognize a lease expense on a straight-line basis as permitted by TFRS 16. This expense is presented within “administrative expenses” in the statement of profit or loss and other comprehensive income. The Group has used the following practical expedients when applying adjustments to leases previously classified as operating leases applying TAS 17.

- The Group has elected not to recognize right-of-use assets and lease liabilities to leases for which the lease term end within 12 months of the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

## Former financial lease

For leases that were classified as finance leases, the carrying amount of the leased assets and obligations is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Company has elected to apply the low-value lease recognition exemption.

Respectfully yours



Virach Seripanu

Director